



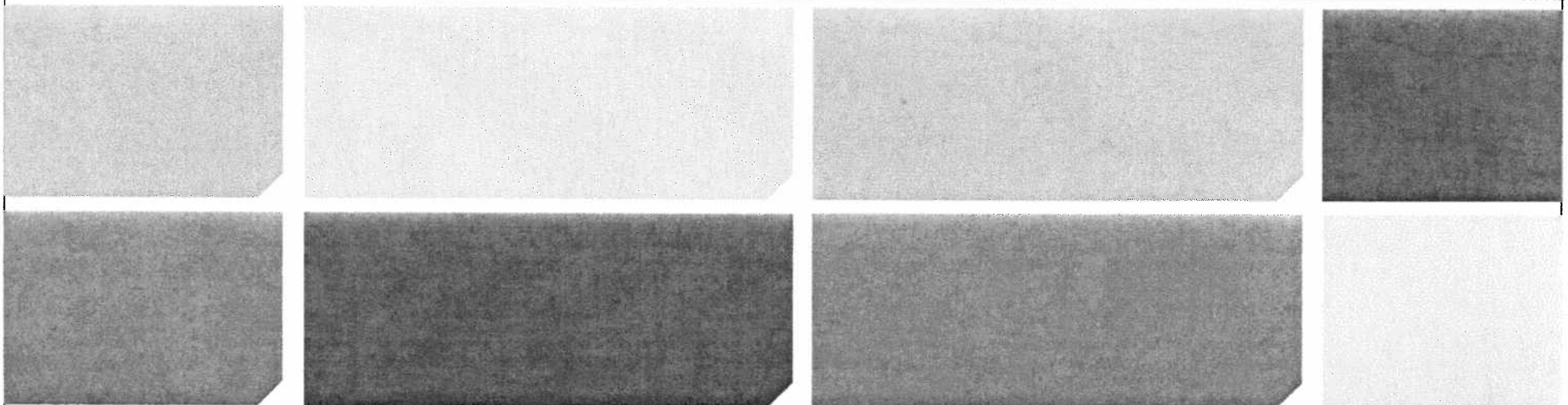
Hawaii Employer-Union Health Benefits Trust Fund

Prescription Drug Program Analysis

For the period July 1, 2005 through June 30, 2006

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Scope of Work

- Objectives
 - Ensure compliance with contractual requirements and comparison with available national benchmarks
 - Verify payments are consistent with contracted benefits
 - Improve quality of service to EUTF plan participants
 - Identify opportunities to improve plan design
- Specifications
 - Electronic analysis of all transactions
 - Onsite validation of preliminary query exceptions
 - HMSA review of significant plan variables
- July 1, 2005 through June 30, 2006 Audit Period
 - Claims data provided to HMSA by Argus
 - Mental health and AIDS claims masked patient identifiers
 - Initial data received September, 2006
 - Subsequent receipt April, 2007. Draft report provided to HMSA on May 10, 2007
 - Recommendations have not been compared to July 1, 2006 contract with new vendor

Rx Contract is Silent on Contractual Provisions

- **EUTF Achieved Discounts and Dispensing Fees were Compared to Segal National Rx Benchmarks and Independent Pricing Sources**
- **Achieved Discounts are Within National Benchmarks**
 - Retail Prescription Drugs average AWP-30.5% compared to national AWP-32%
 - Brand at AWP-20.3% versus national range of AWP-19% to AWP-22%
 - Generic at AWP-54.3% versus national range of AWP-52% to AWP-62%
 - Mail Order Drugs average AWP-31.5% compared to national AWP-32%
 - Brand at AWP-23.26% versus AWP-22% to AWP-25%
 - Generic at AWP-56.21% versus AWP-52% to AWP-62%
- **Dispensing Fees are Higher than National Benchmarks**
 - Brand drugs at \$3.58 versus \$1.50 - \$2.00
 - Generic drugs at \$4.88 versus \$1.25 - \$2.00
- **Generic Dispensing Rates are Below National Benchmarks**
 - 49.4% Retail is slightly below 50% to 55% national benchmarks
 - 41.6% Mail Order is well below benchmarks of 45% to 50%
- **Overall Retail Discount Terms are Competitive**
 - Retail Dispensing fee's are less than competitive

Rx Contract is Silent on Contractual Provisions

- **Mail Order Costs are Below National Averages**
 - Mail Order represents 22% of total drug costs compared to 25%-40% benchmark
 - A more aggressive mail plan design along with deeper mail order discounts could save the plan considerably
- **Segal Recommends a More Robust PBM Service Contract with Firm Dollar for Dollar Guarantees**
- **Rebate Guarantees are Silent in the PBM Contract**
 - Rebate payments to EUTF totaled \$9.7M or \$4.30 per Retail Rx / \$15.50 per mail Rx
- **Plan Design Administration**
 - Copay's collected by HMSA were in-line with plan provisions with the exception of Non-Preferred products
 - Overall cost share as a percentage was 18.3% at retail and 16.0% at mail
- **Oversupply** – Total oversupply under the retail and mail order benefit was \$111,202. However, the oversupply finding were inconclusive due to numerous claimant ID #'s populated with "confidential" on the data file from HMSA

Key Audit Findings

- The retail plan represented the majority of the Fund's total claims, accounting for over 90% of total Rx's
- Total days of therapy dispensed were 58,663,993, with over 77% of total days being dispensed at retail
- The total days of therapy per Rx was 30.9 at retail and 88.7 at mail
- The total AWP per day of therapy at retail was \$2.73 compared to \$2.66 at mail
- The total amount paid per day of therapy at retail was \$1.66 compared to \$1.52 at mail
- The Generic Rate at retail was 49.4% compared to 41.7% at mail. Both were lower than current benchmark ranges
- The generic substitution rate at retail was 87.8% compared to 91.1% at mail
- There is significant room to improve the overall generic rate under the plan. Over \$3.9M was paid for brand claims when a generic equivalent was available
- With in key therapeutic area's, additional savings to the Fund could be achieved through plan design improvement, greater generic dispensing and formulary management
- Utilization management programs like step therapy and additional prior authorization requirements can offer even greater plan savings

Next Steps

- Review key audit findings and implement a PBM service contract with firm performance guarantees and tighter guidelines for plan administration
- Review key audit findings and develop a PBM service contract with firm dollar for dollar guarantees covering retail and mail discounts, dispensing fees, administrative fees and rebates
- Re-evaluate current plan design. Many options are available including co-insurance, utilization management, and formulary management programs which could save the plan substantially
- Carefully review the new PBM service agreement with NMHC to ensure the most equitable benefit is being delivered to the EUTF membership